CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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MANAGEMENT AT BRANCH NO. 1

Managerial Personnel

7. The leading Soviet personnel at Branch No. 1 included the director of the installation (SUKHOMINOV), the chief engineer (the post being filled successively by KURGANOV, KISELEV, and VASILYEV), and the chiefs and assistant chiefs of the various sectors. Most of the ten or so sectors (main research divisions) of Branch No. 1 were headed by a German specialist and a Soviet assistant. A few sector_{25X1} were directed by Soviet specialists.

8. Of all the various Soviet sector chiefs, assistant sector chiefs and other leading engineers

only two (IOFFE and SKRIPNICHENKO) were capable of doing a good job. These two engineers were hard workers and anxious to learn as much as possible from the German guided-missile specialists. Moreover, they had original ideas of their own and were capable of working independently, and of carrying out their assignments without the aid of German specialists. All other Soviet engineers were more or less Party officials. Most of them were young and poorly trained in their profession. It appeared that the primary job of the Soviet engineers, especially the assistant sector chiefs, was to observe the activities of the German specialists and to keep them under surveillance.

9. Inadequate academic training was the primary shortcoming of the great majority of Soviet engineers. It seemed that the Soviet educational system provided them only with theoretical training and not with the knowledge of how to apply theory to practice. Their theoretical training was also superficial. There was too little of it in too short a time. Their academic training was certainly not sufficient to enable them to carry out independently the research projects assigned to German specialists at Branch No. 1.

Planning Procedures

- 10. Branch No. 1 dealt with three types of research or work projects.

 Those in the first category were projects sent to Branch No. 1 by
 Institute 68. The operational schedules and final completion dates
 of research projects had already been determined by the time the
 projects were received at Branch No. 1. As Branch No. 1 was under
 the administrative control of Institute 88,

 projects in many cases represented decisions reached by Institute 88
 independent of ministerial control.
- 11. For example, a Soviet development engineer at the institute working on a particular project wished to determine the thinking of German specialists on a problem confronting him. He would draw up a research project for the German specialists at Branch No. 1 and submit it to the management of Institute 88 for approval. The institute would probably draw on funds which had been already received from the ministry for the project. On the other hand, it is probable that the institute often served merely as a conveyor of orders drawn up by the supervisory ministry (Ministry of Armaments) for Branch No. 1.

12. The second category of work projects consisted of assignments drawn up by the director of Branch No. 1 and carried out locally.

not know if he submitted such projects to the ministry for approval. He probably did not if he had the necessary funds at his disposal to realize their fulfillment.

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13. The final group of research projects was drawn up on the initiative of German specialists at Branch No. 1. They were approved by the director of Branch No. 1 and forwarded for consideration to either the ministry or Institute 88 (again not sure on this point). The supervisory agency approved the project, established governing specifications and time schedules, and issued funds for its realization.

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14. All these projects or individual plans assigned to Branch No. 1 wer25X1 first forwarded to, and registered by, its planning section. The planning section, a small office employing two or three Soviet specialists, played a relatively minor role in the entire planning procedure. It evidently was primarily engaged in coordinating plans and collecting statistics regarding plan fulfillment.

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- 15. After the planning office registered a planned project, it was passed on to the chief engineer. The Soviet engineers who occupied this position were not qualified specialists in the field of guided missiles but were primarily administrators or political appointees. Although the chief engineer was formally responsible for assigning projects to individual sectors for execution, he in reality delegated this responsibility to his assistant. KISELEV, the Soviet engineer who occupied the latter post, was a qualified specialist and therefore represented the highest rung of expert knowledge in the administrative ladder. He broke down the original projects into individual operating plans for the sectors concerned. The chief engineer then convoked a meeting of sector chiefs, announced the new project, and distributed assignments.
- 16. Monthly plans for each individual sector were drawn up by the German sector chief with the aid of his Soviet assistant. In establishing a menthly plan, a German sector chief had to conform to the original projects as registered with the planning office and as assigned to him by the assistant chief engineer. Otherwise, a section chief had some elbow room in determining which research project he would undertake first and precisely how much time would be devoted to it.

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17. These monthly plans had to be initialed by his Soviet assistant. As mentioned earlier, the Soviet assistant sector chiefs were not qualified specialists in this field. They were more policemen than guided-missile experts. A Soviet sector chief generally tried to shorten operational time schedules established by his German supervisor in order to qualify for a bonus. These Soviet watchdogs also suspected the German engineers of padding their time requirements in order to facilitate the fulfillment of plans. Once a sector's menthly plan had been initialed by the Soviet assistant,

it was submitted to the chief engineer (in some cases the director) for approval. The chief engineer also tried to shorten the time requirements for the same reasons which governed the actions of the assistant sector chiefs.

18. The chief engineer was primarily responsible for supervising plan fulfillment by the research sectors in his charge. He convoked a conference of the sector chiefs at the end of each month for this purpose. The section chiefs were called on one by one for presentation of plan-fulfillment reports. Assistant sector chiefs also checked on the degree of plan fulfillment in the course of a month's operations. Neither the local Party committee nor the planning section was entrusted with any plan control functions.

19. no detailed knowledge of the various measures utilized
by Institute 88 or the Ministry of Armaments in guaranteeing the
fulfillment of research projects carried out by Branch No. 1.

this authority was primarily exercised by auditing
menthly plan-fulfillment reports submitted by the branch to its
supervising agency.

20. On-the-spot inspections by the minister or his representatives 25X1 served the purpose of verifying the fulfillment of plans as well as keeping Branch No. 1 on its toes. These inspections were infrequent.

However, ministerial inspections were frequently announced which failed to take place. This was evidently a deliberate policy, as is often the case in military organizations. (In fact, the methods and practices of the Soviet industrial bureaucracy were reminiscent in many ways of military bureaucracy.) Whenever the ministry announced its intention to conduct an on-the-spot inspection, the director of the branch became very excited and put his foot 25X1 down on the chief engineer. The latter in turn put pressure on individual sector chiefs to finish up any back work which might have been on hand. Of course this occurred even when the inspection failed to take place. These inspections and false alarms did have a favorable effect on operations at Branch No. 1 in that they prevented the accumulation of unfinished projects toward the end of a production year.

- 21. Apparently the minister and his deputies were simply administrators with Party connections, who knew nothing about the actual technical problems involved. It was revealing to watch the minister on one of his inspections. Once he entered my sector's office. He simply looked at the charts on the wall, rubbed his finger on the table to look for dust, and that was all.
- another interesting method of ministerial control at
 Branch No. 1. At the end of each year, all projects which had been
 completed during the year were photographed and mounted in a large
 album. The photograph of each physical object was accompanied by
 a detailed accounting of the funds which had been invested in it.
 The album was forwarded to the ministry so that it could have

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additional proof that the projects had actually been completed. A copy of the album was sent to Institute 88. It is interesting to note that these albums were compiled under the supervision of the chief of Department 1 of Branch No. 1. He was reputedly an MVD official.

- The Soviet administrators of Branch No. 1 demonstrated an almost insane preoccupation with the fulfillment or overfulfillment of production and research plans. This concern was the cause of inefficiency at Branch No. 1. For one thing, it brought about a high degree of rejects or faulty production. Hounded by the apparition of failure, personnel engaged in production achieved poor results, as they had to work so fast. Sometimes a machine—building project was actually not fulfilled on time but was reported as such. Although the machine had been completely assembled, the component parts were so poorly made that it was not operative. This resulted in shady budgetary manipulations. The project was finished during the following month but with "borrowed" money

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 and time and under a disguised project title.
- 24. The planning system and the pressure which was a part of it created inefficiency in other ways.

 a valve assembly for use in a wind tunnel.

 it would have to be painted inside to prevent it from blowing out rust under a pressure of 200 atue. This was not done as it had to be completed on time, according to plan. As a result, rust was blown out which choked the valve, causing damage and much subsequent waste of time and material.

the construction of a valve for another project, 25X1 Institute 88. an expensive part of this equipment had to be made out of stainless steel or else water in the air would cause it to rust. The Soviet supervisor said that would be impossible as he could not obtain the needed material within two months. The project had to be completed earlier. He to have this part made of ordinary steel so that he could 25X1 report the project as completed on the stipulated date. He said that he could build another part later out of stainless steel. To illustrate the waste involved, 25X1 approximately 800 man-hours were required to produce this part.

- 26. The pressure for plan fulfillment was so great that not enough time was allowed for proper maintenance of tools and equipment.

 As a result, machinists were forced to work with poor tools and efficiency was lowered. A supervisor in a German plant would always deadline a milling machine, for example, after a certain period of operation and would order it to be overhauled. He would achieve greater efficiency in the long run.
- 27. So, all in all, the planning system as practiced at Plant No. 1
 was the cause of great inefficiency. However, do not feel that
 this conclusion necessarily applies to Soviet plants engaged in
 mass production. Furthermore, the planning system did encourage

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work from, and exerted pressure on, Soviet administrators from assistant sector chiefs on up. Their total salaries were largely determined by the bonuses which they received. Bonuses were only distributed when plans were fulfilled.

All raw material and semi-finished products which were required in the course of a production year were provided for and requisitioned by the original annual plan governing these operations. It was theoretically true that if Branch No. 1 received a new project or order in the course of a year which required materials net en hand, it had to wait until the next annual plan to carry it out. This was sometimes true in practice. But usually the Soviet employee responsible for material procurement checked with Institute 88 to determine whether the needed material or parts were available there. If he had no luck there, and if the project was important, the procurement officer attempted to obtain the sought-after article from an enterprise which manufactured or produced it. This was often impossible as these enterprises were also restricted to fulfilling orders as laid down in their annual plans. (Incidentally, it was particularly difficult to procure ball bearings of the proper size.)

generally forced in the final analysis to make the needed 29. part or improvise the material ourselves. This frequently led to a considerable loss of material and man-hours. For example, machinists at Branch No. 1 were once forced to bore out a piece of steel eight inches in diameter in order to make a thin cylinder, simply because that particular type of steel was not available in sheet size. The boring of the cylinder took three days and 80% of the material was wasted. This was by no means an uncommon occurrence.

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Party Activities

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Party committee held periodic meetings for Soviet employees who were members of the Party and assisted the plant management in holding other meetings for the entire Soviet kollektiv.

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it is noteworthy that attendance was compulsory at the plant-wide meetings. The Soviet employees were generally reluctant to attend them because they were held at five of cleck in the evening and frequently lasted as long as four hours. This meant that the Soviet employees who lived in Ostashkov on the mainland would not be home until eleven o'clock and had no opportunity to shop or to perform any other evening chores.

Separate celebrations were held for the German and Soviet employees of Branch No. 1 on the occasion of May Day and other major holidays.

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it was obvious that the average Soviet worker was not concerned about the political significance of major holidays but simply welcomed them as a day off. It seemed that half of the population was drunk by eleven o'clock in the morning on such holidays.

MVD Activities

There were three offices at Branch No. 1 which were charged with security functions: Department 1, or the security office; the consultation office for the German specialists (Betreuungs-buero); and the guard detachment. It was rumored that Department 1 was under the direct supervision of the MVD. At any rate, it was clear that the chief of Department 1 was not responsible to the director of Branch 1. This office was responsible for safeguarding all documents, papers, and films at the installation. It also dispatched, received, and registered official correspondence. It was not responsible for surveillance of technical operations at Branch No. 1

Threstigations of possible acts of sabotage were carried out by the chief engineer.

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- 33. All documents and films, even the most trivial matters, were classified secret. The security regulations as they applied to individuals were also strict. Every engineer engaged in designing work had his own portfolio containing the drawings and documents which he was working on at a given time. This portfolio had to be turned in to Department 1 for safekeeping at the end of a day's work and before the lunch hour. The owner was required to seal it before turning it over to the security office. Each engineer had his own stamp with a number on it. He bound the portfolio with a ribben and put the seal of his stamp on a rubber-like substance.
- An engineer had to sit next to his portfolio or carry it with him at all times. He was supposed to have it with him even when he talked to a colleague at another desk in the same room, perhaps 15 feet away from his own desk. The chief of Department 1 made frequent security checks during the course of the day in order to uncover and discipline and infractions of the rules.
- All documents, drawings, and blank paper issued to a designer and placed in his portfolio were registered in a log attached to the portfolio. Even blank paper was issued, numbered, and registered by Department 1. We could not throw away any paper, as we had to account for each piece. We could not even bring paper from home and use it in our offices without registering it first with Department 1.
- 36. Security regulations were particularly strict in the photographic laboratory. An employee of Department 1 was always on duty there when the laboratory was open. All film, even that which had been spoiled, had to be accounted for. Cameras were blocked and sealed when not in use.

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- 37. The guard detachment on Gorodomlya Island was evidently supervised by neither the plant management nor Department 1. The officers and some of the enlisted personnel (those who had enough money) wore dark blue uniforms and visor caps with a band of the same dark blue color.
- The initial chief of the guard detachment, a certain OTENKO, was involved in a scandal and was dismissed. He received a bonus of 600 or 700 rubles for completing ahead of plan the construction of a fence around the quarters of the guard detachment. He kept this money for himself instead of distributing some of it to the workers, as he was supposed to do. The workers reported this matter and OTENKO was brought to trial assume that he was sentenced to forced labor, as he disappeared thereafter.

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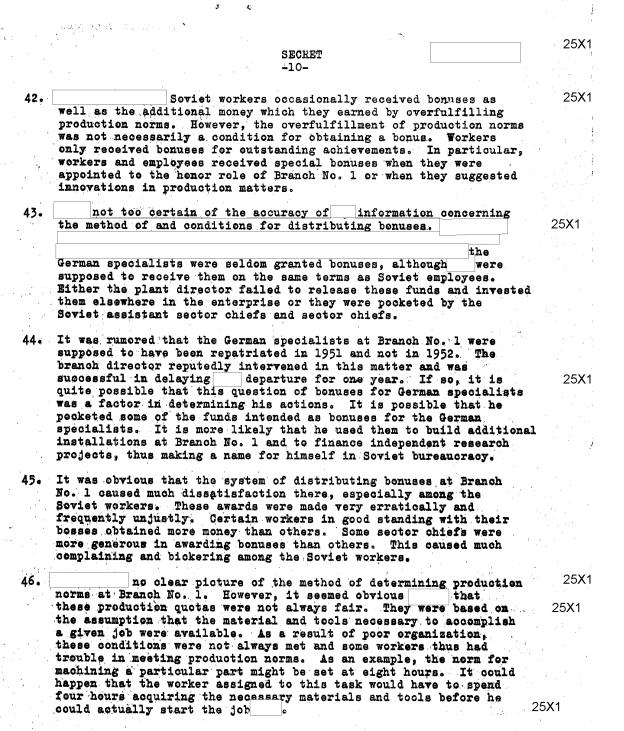
WORKING CONDITIONS AT BRANCH NO. 1

Salaries and Wages

- from 300 to 800 rubles per month in wages. At the bottom of the wage scale were enlisted personnel of the guard detachment and workers of the transport brigade (mostly girls), who received from 300 to 400 rubles per month. The young girls employed in drafting work usually received about 600 rubles per month, but with benuses could increase this to 900 rubles. Most machinists received monthly wages ranging from 600 to 1,000 rubles per month, with the average being perhaps 750 rubles. A few machinists were able to earn as much as 1,700 rubles.
- 40. Most young Soviet engineers generally received about 1,400 rubles, 25X1 and engineers with some experience, about 1,700 rubles per month. Soviet engineers employed as sector chiefs and in other positions of equal responsibility received 2,300 rubles in several cases not know whether bonuses were included in these salary figures.

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41. Bonuses were supposed to be distributed whenever a plan was fulfilled or overfulfilled. They apparently were awarded on the successful completion of both monthly plans and large projects which required three to six months for their completion. In the case of the latter, the plant director evidently distributed a predetermined sum of money to the individual Soviet sector chiefs and assistant chiefs. It is possible that Branch No. 1 and the ministry drew up a contract for a particular project which set aside a certain sum of money to be distributed as bonuses in the event of its successful completion. The sector chiefs or assistant chiefs were supposed to distribute these funds to other workers and employees in the sector as they saw fit. However, they often kept such awards entirely for themselves.



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- 47. Party members and other favorites of Soviet supervisors were evidently assigned to tasks which were well organized and the norms of which were easily fulfilled. Furthermore, it seemed that the office or the individuals responsible for establishing production norms simply did not understand the technical problems involved. The hours allotted for specific production processes frequently seemed to be the result of a purely arbitrary decision. All these factors led to frequent bickering about norms between workers and supervisors. Workers were sometimes successful in bringing about a readjustment of excessive norms.
- 48. In addition to causing discontent, the norm system was directly responsible for an excessively high rate of rejects. Being based on volume and time standards, it discouraged accurate workmanship and encouraged sleppy production in large quantity.
- 49. unaware of any overall lowering of the money wages of Soviet 25X1

 workers at Branch No. 1

 constant after the currency reform. Norms were not generally increased after subsequent price reductions. 25X1
- 50. It was true that production norms for workers were increased at Branch No. 1, but this was due to increased productivity. Many of the workers there were right off the farm or had just left school. Their norms and productivity were therefore abnormally low at first.

Employment Controls

- 51. Most of the Soviet workers at Branch No. 1 were inhabitants of the Ostashkov region. Those who came from the immediate vicinity of Ostashkov undoubtedly sought out employment at Branch No. 1 on their own initiative, as better-paying jobs were available there than in Ostashkov. Others who came from more remote collective farms in the Ostashkov region had reputedly been ordered to work at Branch No. 1 by some employment office.
- Most Soviet engineers and administrative employees at Branch No. 1 had previously worked at Institute 88. At first, they were encouraged to volunteer for employment on Gorodomlya Island by offers of better pay. When this no longer sufficed, the director of the consultation office at Branch No. 1 made up an album of pictures showing the wonderful and varied cultural activities available on the island. He asked for some pictures of a stage production 25X1 put on by the German specialists. He had another German specialist take pictures of the tennis courts, the children's playgrounds, the 25X1 beach and its boats, and the open-air theater. Incidentally, most of these installations had been built on the private initiative of the German specialists. The album was then circulated among the Soviet engineers and employees at Institute 88. It made such a good impression that still others were encouraged to transfer to Branch

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53. However, there were many Soviet engineers who had been compelled in one way or another to accept employment at the Gorodomlya installation. It was rumored, for example, that the Podlipki institute had its "eight balls" transferred there. Other engineers were sent to Branch No. 1 on temperary duty of eight weeks or so and were not allowed to return to Podlipki. Furthermore, 25X1 university graduates were required to work for five years after graduation at posts designated by the State. This applied only to individuals who had studied at higher educational institutions with the support of a State scholarship, as I recall that KISELEV paid his son's university fees in order to avoid this period of obligatory 25X1 employment exactly how a Soviet employee of Branch No. 1 It was not clear special regulations 25X1 obtained employment elsewhere. applied at Branch No. 1 which allowed the director to veto any application of a Soviet employee to take up employment elsewhere. This rule supposedly stemmed from the fact that Branch No. 1 was supervised by the Ministry of Armaments. that Soviet employees were by 55. It was obvious in some cases no means free in determining their future place of employment. In one case, a Soviet engineer tried for an entire year to obtain a release from Branch No. 1. After many applications had been rejected, he finally went to the director and said that he would expose the shady practices of the director and others in his employ if he were not given an immediate release. The director gave in to his demands. All Soviet administrators and engineers in the upper echelons of Branch No. 1 were engaged in shady practices of one kind or another. 56. In another case, a Soviet engineer's unsuccessful attempts to obtain a release ended in a heated argument with the director. The next day, this engineer climbed over the barbed-wire fence encircling Gorodomlya Island and caught a train in Ostashkov for Moscow. It was rumored in this conthat this engineer was a police agent. nection that Soviet employees were required to leave their pasport with either the plant director or the chief of Department 1. Their freedom of movement outside of the Ostashkov area was therefore

Labor Controls

58. Tardiness was practically no problem at Branch No. 1 as it was strictly punished. A Soviet employee who was late three times or so, even if only a matter of minutes, was customarily fined 25% of his salary for a period of six months.

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former practice after completing his probationary period.

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- 59. Stern measures also were effective in practically eliminating malingering. At Branch No. 1, a person almost had to walk into the polyclinic with his head under his arm in order to get permission to stay home on account of sickness. It seemed that the degree of illness was determined solely by fever. If you had no fever, you had to go to work, even if suffering from a painful attack of arthritis or rheumatism.
- 60. An employee living on Gorodomlya Island was supposed to report to the polyclinic the night before if he were unable to report to work the following day on account of sickness. But this was a silly regulation, as a person could not always foresee when he would be sick. If you appeared at the polyclinic on the day of work to request sick leave, you generally received the answer that if you can come here on your own two legs, you are able to report to work. The best solution was simply to stay at home. Some plant official appeared at your home within a half-hour to see if you were dead or alive. Then came the doctor, who determined whether it was a case of loafing or sickness.
- 61. The two doctors employed at the polyclinic of Branch No. 1 were the wives of VASILYEV and KISELEV, the chief engineer and assistant chief engineer respectively. It was rumored that these doctors sometimes refused permission for sick leave at the request of their husbands when particular individuals were needed at work.

62. If a worker were found directly responsible for faulty production or rejects, he was required to pay for the material which had been wasted. This system was unfair, as the high number of rejects was simply the result of overemphasizing production norms and time schedules. Either no time was allowed for inspection of products before final assembly or the workers made mistakes as a result of working under pressure.

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Socialist 25X1

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competitions were held by the various brigades in production workshops which pledged themselves to overfulfill production plans or to reduce rejects by a certain percentage. The best workers were named to the honor role of Branch No. 1 and were designated as activists at special ceremonies held on the occasion of major holidays.

these incentive measures had little success in attaining their goals. As the average Soviet worker was only concerned with earning an extra ruble, he could not be expected to overexert himself if only honor was involved.

himself if only honor was involved.

Comments.

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 AYENKHOV has been mentioned as being "head of the police" on Gorodomlya Island. Nothing has been remarked about his dismissal or a scandal concerning him.

2. Other reports have indicated that three years constituted the obligated length of service.